

Cables of Note

- **(SBU) For Money and Country: High-Skilled Overseas Chinese Heading Home** (*17 Shanghai 906*)
- **(SBU) China Reverts to Banning the News Again as Cities Fail Air Pollution Targets** (*17 Beijing 2934*)
- **(SBU) China: SOE "Mixed-ownership" Reform in Northeast China - A Tale of Two Cities** (*17 Beijing 2974*)
- **(SBU) China: Stuck in Neutral - Recent Moves to Open Auto Industry Lack Specifics** (*17 Beijing 3004*)
- **(SBU) China Circles the Wagons on Autonomous Vehicle Market** (*17 Shanghai 928*)

Notes from Chinese Media

Notes from Chinese Ministries

Notes from Post

Notes from Chinese Media

U.S. Embassy Beijing Media Reaction – A Summary of Select PRC Media Commentary

Monday, November 27, 2017

Today's Chinese Newspaper Headlines

Major state-run media featured the Chinese State Council's new action plan to boost IPv6-based Internet development.

China-Internet Technology/IPv6

How IPV6 connects China to the future

People's Daily (pg12)

Wu Jianping, from the Chinese Academy of Engineering, analyzed the strategic implications behind the Chinese State Council's new action plan to boost IPv6-based Internet development. According to Wu, the Internet Protocol version 6 (IPv6)-based network is the core of next generation of the internet. Mastering IPv6 development will no doubt benefit China's future technological advancement, which in turn ensures social progress and national security. The new action plan lays out China's grand internet strategy, detailing plans to upgrade facilities, applications and terminal devices to fully support IPv6 by 2025. Given this unique opportunity, however, China needs to first tackle its technological gap with the west in

remapping IP addresses. China still uses Network Address Translation (NAT) to translate private-public addresses, which is inefficient and vulnerable and needs to be addressed during the transition from IPv4 to IPv6. What's more, to take a shortcut to success, China can focus on optimizing IPv6 in the areas that current most challenge the internet—vulnerability and controllability. After all, we should not rely on the know-how of others to dictate what internet security means to us.

Tuesday, November 28, 2017

Today's Chinese Newspaper Headlines

21st Century Business Herald headlined with the State Council's releasing guidance on advancing "internet+" initiative while boosting an advanced manufacturing industry.

China – Bill Gates

Why was Bill Gates appointed an academic fellow in China?

The Beijing News (pg A03)

Scholar Zhang Xueqin commented that Bill Gates' appointment by Chinese Academy of Engineering as an academic fellow is fully justified. Mr. Gates' technological expertise and global reputation are virtually without equal. His appointment was only approved after a rigorous examination process. Zhang hopes this is a mutually beneficial choice for both the Chinese academy and Mr. Gates himself, and called for Mr. Gates to contribute to China's technological and scientific progress.

Wednesday, November 29, 2017

U.S.-China / Cybersecurity

U.S. media hypes "Chinese hackers being prosecuted" for cyberattacks

Global Times-Chinese (pg 16)

U.S. Attorney's Office in Pittsburgh filed an indictment against three "Chinese hackers" for stealing trade secrets from Siemens AG, Moody's Analytics, and Trimble Inc. While the indictment did not say whether the three defendants had anything to do with the Chinese government, U.S. media says the hackers were hired by China's national security agencies. But Qin An, director at the Institute of China Cyberspace Strategy, denied the conspiracy theory. Qin said it is not uncommon for the United States to indict foreigners of committing cybercrimes. The United States regards itself as the world's hegemon, and thinks it should assume the role of "world police" in cyberspace. Qin added that, during the first U.S.-China Law Enforcement and Cybersecurity Dialogue, Washington and Beijing reaffirmed their commitment to withdrawing from any form of cyber espionage, and to collaboratively combatting cybercrime. Even if these charges are true, one should not confuse the offenders' individual actions with the country's collective will. Qin concluded that, today, the United States and China find more commonalities than differences in cyberspace. This trend is increasing under President Trump, who focuses more on the two countries' pragmatic cooperation and less on ideological issues. During his visit to China, the President reached a common understanding with President Xi Jinping on several cybersecurity issues.

Friday, December 1, 2017

Secretary Tillerson Departure Rumor

U.S. media said CIA Chief will replace Tillerson as Secretary of State, White House denies
The Paper ([HYPERLINK "http://www.thepaper.cn/newsDetail_forward_1887092"])

A senior administration official said the White House plans to remove Secretary Tillerson, whose relationship with President Trump has reportedly been strained for a long time, and replace him with CIA Director Michael Pompeo. The *New York Times* also predicted Mr. Pompeo's current position will be filled by Republican Senator Tom Cotton. Secretary Tillerson has been marginalized over the past year. His opinions on the Iran nuclear deal, the Democratic People's Republic of Korea issue and conflicts with Arab countries all differ from the President's. If he steps down, he will be the shortest-serving Secretary of State in U.S. history.

Xi-Obama Meeting

Xi Jinping meeting with former U.S. President Obama

People's Daily (pg 1) reported that in their meeting yesterday in Beijing, President Xi commended former President Barack Obama for his efforts to promote U.S.-China relations while serving as president. Xi emphasized China and the United State have common interests and share responsibilities in maintaining world peace and prosperity. He expressed China's interests in working with the United States to enhance communications and advance bilateral ties. Mr. Obama echoed President Xi's wishes, while complimenting China's recent achievements.

Monday, December 4, 2017

World Internet Conference

In regards to the fourth World Internet Conference held in Wuzhen over the weekend, both *Global Times* English and Chinese editions editorialized (pg 14) that some Western mainstream media continued to be prejudiced, distorting China's stance on respecting Internet sovereignty. As the Internet develops more thoroughly and starts infiltrating all aspects of our lives, China has successfully combined one of the highest levels of openness, while also emphasizing sovereignty and applying strict ideological management. Western observers oppose internet sovereignty because they want to dress up their own interests as the world's interests. Were China's internet really closed and its degree of freedom really last in the world, it would have been impossible for China's internet to accomplish all that it has, and achieve its current bright outlook. Many countries have similarly opened up the internet while also maintaining their bottom line on internet sovereignty. This is a key to establishing a community of common destiny for mankind in cyberspace. In view of the divergence of China and the West in their systems and ideologies, it is difficult to reach a consensus overnight. Both sides need to have an open mind rather than simply slapping labels on others in this complex area.

Global Times-Chinese (pg 1) also quoted a Chinese internet analyst saying that, although we do need to improve our internet governance policies, it is only a matter of improving the

methods. Those who criticize China's internet policies should have a look at U.S. internet policies. It is common for countries to engage in internet control, such as the U.S.'s Russia probe. Fang Xingdong from Shantou University also commented that, when it comes to the internet, we usually talk about two things: innovation and security governance. While we are more confident and open in innovation, we will not be led by the nose by the West in security governance.

U.S.-China Economic Dialogue

U.S. official: U.S.-China Comprehensive Economic Dialogue has “stalled”

Global Times-Chinese (pg 3, December 2)

U.S. Under Secretary of the Treasury for International Affairs David Malpass recently told the *Financial Times* the Comprehensive Economic Dialogue with Beijing is “stalled.” Senior research fellow He Weiwen at the Center for China and Globalization said the United States misunderstands its trade relations with China. It intends to reverse trade deficits with China, yet such behavior is contrary to the economic laws. Whether China is complying with WTO rules is a question that must be resolved under WTO rules rather than U.S. unilateral rules. Now, obviously it is the United States that departs from the world standard and opposes the WTO rules. Malpass' remarks only represent Treasury's stance, while the economic dialogue is a senior-level communication mechanism between the two governments. Hopefully the two countries will resume the dialogue next year considering their broad cooperation prospects and high complementarity.

Monday, December 5, 2017

World Internet Conference

Regulations don't hurt China's cyber vitality

Global Times English and Chinese editions (pg 14)

Western media outlets continuously criticized China's Internet governance during the fourth World Internet Conference. But radical Western media and lawmakers don't have the final say on global internet development. China's combination of opening up the internet and defending internet sovereignty has had good results, making Western criticism seem weak, narrow-minded, and ignorant. As the internet has filtered into every facet of Chinese people's lives, the government's internet governance has met the people's expectation for cyber order. Granted, there are ongoing debates regarding how much freedom Chinese netizens should have in expressing their opinions, and when social media posts should be deleted. These debates reflect the question of how China should handle freedom of speech on the Internet. The majority of the Chinese people approve of the way China's internet governance system has developed. The Chinese people want “steady development, and hope for more room for their voices.” China welcomes all internet companies to its market so long as they comply with Chinese law. China does not want to confront U.S. cyberspace hegemony, it only wants to safeguard its national security.

U.S. media unhappy about Silicon Valley's Internet giants attending World Internet Conference

Global Times-Chinese (pg 3)

U.S. media outlets criticized the attendance of two Internet giants, Apple CEO Tim Cook and Google CEO Sundar Pichai, at China's World Internet Conference, as supporting China's cyber governance model. Zhi Zhenfeng from the Chinese Academy of Social Sciences said the reason they attend is because the Chinese market is large, and because Chinese government control is not as exaggerated as the Western media says it is. China's market is free and open, otherwise international companies would not find it attractive. They come to the China market because they find common interests and growth potential. China's Internet policies are not rigid and will be adjusted according to different circumstances. Western ideologists should see that these large Western companies have a more accurate view of China's Internet.

Wednesday, December 6, 2017

U.S. National Security Strategy

Trump has rare plan to issue National Security Strategy in first year in office

The Paper ([[HYPERLINK "http://www.thepaper.cn/newsDetail_forward_1891760"](http://www.thepaper.cn/newsDetail_forward_1891760)])

White House National Security Advisor McMaster recently said the Trump administration's first National Security Strategy will be issued in a few weeks, addressing Iran, the DPRK, terrorism, China and Russia. Diao Damin from Renmin University's Center for International Strategy Studies commented it is rare for a U.S. president to issue the national security strategy in his first year in office. Obviously President Trump is eager to achieve something by the end of the year. However, issuing the report in a hurry may mean the report lacks concrete content, reducing its credibility. Trump's national security strategy will be very different from Obama's, emphasizing the role of military force. Those holding traditional U.S. diplomatic concepts, like McMaster, seek to merge Trump's "America first" approach into their traditional concepts. "America first" does not mean the United States going alone, but, rather, the U.S. coordinating with allies to solve problems together. Being vigilant against both China and Russia in the report also shows U.S. China policy may become more hawkish.

Trump to publish new strategy toward China soon

China Youth Daily (pg 6)

A White House source disclosed that the Trump administration's new China strategy will focus on how to contain China's growing influence, and how to deal with the DPRK threat. Lin Hongyu, dean of Huaqiao University's School of International Relations, commented that while President Trump seems to stir up political problems, in the long run he may do more good than harm. He saved the United States from further trouble by fixing U.S. bipartisan polarization. As a non-traditional U.S. president, Trump's is flexible towards the development of U.S.-China relations. Trump's visit to China last month has fixed the "time gap" caused by the two countries' different political cycles and understandings of the relationship. In contrast, Da Wei from the University of International Relations finds the situation fragile. Relations will suffer when China is unable to satisfy U.S. demands concerning the DPRK. As it grows, China wants to increase its contributions to the world, while the United States wants the opposite.

Climate Change Agreements

36 U.S. cities to sign climate agreement in defiance of Trump

Global Times-Chinese (pg 2)

In light of news reporting that 36 U.S. cities are expected to sign their own accord for reducing greenhouse gas emissions—"The Chicago Charter," analysts comment that, while the federal government adopts a passive attitude toward climate change, joint action by local governments is significant. Whether such actions will be effective remains to be seen.

Monday, December 11, 2017

Current Headlines

- **State:** State-run media featured China's R&D investment level reach a ten-year high.
- **Business:** 21st century Business Herald headlined with the Politburo's meeting about China's economy in 2018, emphasizing quality development and fighting pollution.

Notes from Chinese Ministries

New edition of encouraged technology import catalogue released for comment. The National Development and Reform Commission (NDRC) yesterday posted on its website *The (For-Comment Draft) (2017 Edition) Catalogue of Encouraged Technology and Product Imports*. The proposed catalogue contains 212 types of technologies, 162 types of equipment, and 66 key industry sectors in which imports are to receive preferential treatments. Comments should be submitted before November 29. An explanation accompanying the release of the new edition of the catalogue stated that the changes focus mainly on equipment manufacturing, new-generation information technologies, advanced materials, and energy-saving and environmental protection industries while removing technologies and equipment of which domestic production has been achieved, or industry sectors no longer identified for key support. (Full text in Chinese: http://www.ndrc.gov.cn/zwfwzx/tztg/201711/t20171123_867550.html) (NDRC)

Finalized pricing guide for drugs and raw materials released codifying mixed enforcement of the competition and the price law. NDRC yesterday released *Guide for Pricing Conducts of Businesses Regarding Drugs and Drug Raw Materials in Short Supply*. The guide which had been released in a draft form for public comment covers definitions of drugs and raw materials in short supply, market definition, factors in the determination of market dominance, price monopoly conducts and their expressions, the determination of violations, and monopoly agreement exemptions. In addition, it also lists conducts that potentially violate the Price Law such as creating and spreading false and misleading price information, thus legally justifying mixed enforcement of the Anti-Monopoly Law and the Price Law, which NDRC has been doing all along. (NDRC)

Railway development 13th Five-Year Plan released while a freeze imposed on foreign investment in domestic waterway transport ventures. Three agencies led by NDRC together with China Railway today released *The 13th Railway Development Five-Year Plan*. The plan sets the targets of a 4.8% annual growth in rail mileage connecting all cities with a population of 200,000, with high-speed rail mileage to increase by 11.6% a year or 11,000 kilometers to 30,000 kilometers by the end of 2020 covering 80% of large cities; passenger rail transportation

to grow 9.5% a year to 4 bn people while freight to grow 2% a year to 3.7 bn ton. Meanwhile, the Ministry of Transport today released a notice that freezes approval of new foreign-invested domestic waterway transportation enterprises and prohibits foreign operators from doing domestic waterway transportation by way of leasing Chinese-owned ships or cargo space. Local regulators are also ordered to check to see if there is any violation of the equity restrictions in domestic waterway transportation agencies. (Full texts in Chinese: http://www.ndrc.gov.cn/gzdt/201711/t20171124_867822.html http://zizhan.mot.gov.cn/zfxxgk/bnssj/syj/201711/t20171124_2941141.html) (NDRC, MOT)

Agricultural import value-added tax cut in biggest tax overhaul in two decades replacing business tax with value-added tax. China today unveiled the most significant tax reform in two decades replacing the business tax with value-added tax (VAT). The State Council today announced a decision to terminate with immediate effect *The Provisional Business Tax Regulations* and revise *The Provisional Value-Added Tax Regulations*. The decision effectively terminated the business tax that had been in place since 1993 and codifies the nationwide rollout of VAT to replace business tax since May 1 last year across service sectors following a multi-phased pilot starting in 2012. The change reflects a broad effort to rebalance the economy by promoting the growth of the service sector in an economy dominated by manufacturing. In the decision, while general import VAT will remain at 17%, the VAT rate for the sales and import of agricultural products and edible oil will be adjusted to 11% from 13%. The same 11% VAT will apply to the import of animal feeds, chemical fertilizers, pesticides, agricultural machinery, agricultural plastic sheets, liquified natural gas, natural gas, dimethyl ether, residential use coal, books and periodicals, audio-video products, and digital publications. China has been the largest export market of U.S. agricultural products totaling \$21 bn in 2016. The reduction in import VAT for agricultural products also followed an announcement a week ago that introduced a round of steep cuts in import duties on 187 types of consumer goods effective today. The VAT-for-business tax reform was billed by the Chinese government as the largest round of tax cut in recent years, saving business 1 trillion yuan (\$150 bn) through September. The U.S. is pushing through its own comprehensive tax reform while mulling new tariffs on Chinese imports which resulted in a U.S. goods trade deficit of \$274 bn through September. (Full text in Chinese: http://www.gov.cn/zhengce/content/2017-12/01/content_5243734.htm) (gov.cn)

Guide to lead the industrial Internet issued. The State Council today released *Guiding Opinions for Deepening "Internet + Advanced Manufacturing" and Developing the Industrial Internet*. The guide aims to ensure that China will be at the fore rank of the industrial Internet development and "running in parallel" or even "leading" in the world. 2018-2020 will be the initial stage during which China is to build the infrastructure and platforms, develop an advanced technology and industry system, and build innovation and leading capacities in select sectors; by 2025 China is to complete the building of the infrastructure and industry system that are globally competitive, to establish 3-5 industrial Internet platforms, to have mastered key technologies, and to have developed a group of "dragon head" and globally competitive enterprises; by 2035, China is to have established internationally advanced infrastructure and platforms, and developed internationally advanced technologies and industry system with leading innovation capacities in select sectors. Six main tasks are identified under which a number of key projects will be launched including a key technology commercialization project that will make breakthroughs in a number of key technologies and introduce a batch of domestically advanced industrial Internet equipment by 2020 and will ensure mastery of critical technologies and introduce a batch of

internationally advanced equipment by 2025. (Full text in Chinese: http://www.gov.cn/zhengce/content/2017-11/27/content_5242582.htm) (MIIT)

Action plan released for strengthening competitiveness in manufacturing. The National Development and Reform Commission (NDRC) today released *Three-Year Action Plan for Strengthening Core Competitiveness in Manufacturing (2018-2020)*. The plan aims to realize commercialization of a batch of major key technologies, develop a group of leading enterprises with global influence, create a batch of Made-in-China well-known brands, and develop a batch of internationally recognized China standards. The plan identifies critical technologies in nine areas for special commercialization programs: track transportation, advanced shipping and marine engineering equipment, smart robotics, smart vehicles, modern agricultural machinery, high-end medical devices and drugs, new materials, digitization of manufacturing, and major equipment. In track transportation, for instance, China is to develop a new-generation of maglev trains with speed of 600 kilometers per hour while developing 250/hour high-speed trains with Chinese standards and products that lead the world and boast of self-proprietary intellectual property rights. Supporting measures include government support in building technology platforms for key and common technology development, active utilization of industry investment funds, preferential policies for first-use of major technologies and equipment, loan interest subsidies, and support for qualified companies to access capital market resources. (Full text in Chinese: http://www.ndrc.gov.cn/gzdt/201711/t20171127_867960.html) (NDRC)

Counter-espionage law implementing rules released with broad government discretion in determining spy and “hostile” organizations and agents and illegal possession of “state secrets.” The State Council today released *The Implementing Rules for The Counter-Espionage Law*. The rules give the state security and public security authorities broad discretion in determining espionage organizations, espionage organization agents, and “hostile organizations” defined as organizations “hostile to the democratic dictatorship regime of the People’s Republic of China and the socialist system, and endangering state security.” A list of eight types of activities is identified as “other acts than espionage that endanger state security” ranging from terrorist activities to “evil cult” activities and including “meeting without approval” domestic “suspects” deemed as threats to national security. A chapter is devoted to the obligations and rights of citizens and organizations. Illegal possession of state secret documents, materials or other goods is defined as including “carrying and keeping state secret documents, materials or other goods” by persons who “should not have known” the secrets or by those who may know but have not gone through the proper procedures. Citizens and organizations “who have the facility” but refuse to assist state security authorities in counter-espionage investigations are legally liable for “willful” obstruction of justice punishable under Article 30 of *The Counter-Espionage Law*. In the past, foreign businessmen were charged for possession of documents regarded as state secrets and foreign Internet portals were forced to reveal communications involving Chinese dissidents. Foreign journalists or foreigners seeking meetings with dissidents were routinely harassed. The implementing rules seem to have codified such practices. (Full text in Chinese: http://www.gov.cn/zhengce/content/2017-12/06/content_5244819.htm) (gov.cn)

2016 patent applications in China exceeding combined filings in the next top four regions of the U.S., Japan, South Korea and Europe. China last year received more patent applications

than the combined total for the U.S., Japan, South Korea and the E.U. According to the annual World Intellectual Property Indicators Report released today by the World Intellectual Property Organization (WIPO), China's State Intellectual Property Office (SIPO) received the highest number of patent applications in 2016, a record total of 1.3 million. It was followed by the United States Patent and Trademark Office (USPTO) (605,571), the Japan Patent Office (JPO) (318,381), the Korean Intellectual Property Office (KIPO) (208,830) and the European Patent Office (EPO) (159,358). The U.S. dominated patent applications in 1883-1963 until 1968 when Japan surpassed the U.S. China's SIPO overtook EPO and Korea in 2005, Japan in 2010 and the U.S. in 2011. However, on a per-capita basis, China ranked behind Germany, Japan, South Korea and the U.S., noted WIPO. For the first time, the WIPO report provides data on geographical indications (GI) covering 54 national and regional authorities, which reported around 42,500 protected GIs. Germany with 9,499 has the highest number of GIs in force followed by China (7,566), the E.U. (4,914), Moldova (3,442) and Bosnia-Herzegovina (3,147). (XH, WIPO)

Notes from Post



Nov. 21, Beijing – **“Waste Collectors, Urbanization and Environmental Protection”** IVLP Alumnae and Director of NGO Beijing Zero Waste Ms. Chen Liwen, presented on China's rapid urbanization and the resulting challenges of dealing with waste. She discussed the importance of recycling and the proper sorting of materials. Ms. Chen highlighted the work of private citizens who collect waste in the cities. She believes they greatly contribute to China's ability to recycle waste because they are experts in proper sorting, allowing for 30% of China's waste to be recycled each year. In 2016 there were over 6 million waste collectors in China, which means there is one waste collector for every 100 citizens.

Nov. 28, Foshan – **Coding Boot Camp** - On the heels of a very successful engagement at the Foshan City Expo, CAO Colin Machado delivered a presentation on coding boot camps to over 100 students at a public school in Foshan. This appearance was notable since it was at the direct request of a public school. PAS Guangzhou had no prior contact this third-tier city school. The presentation leveraged the school's interest in technology education, as evinced by its well-equipped maker space, to promote software programming education opportunities in the U.S. through short-term intensive private and public programs, including the non-profit organization Girls Who Code.

Dec. 6, Shenzhen – The Ambassador delivered opening remarks at the inaugural U.S.-China Youth Entrepreneurship and Economic Opportunities Forum. Sponsored by the U.S. Department of State and the All-China Youth Federation (ACYF), the forum showcased 100 youth business leaders and innovators from both countries and helped them access one another's markets to create economic opportunities, mutual understanding, and networking space. The Forum also provided opportunities for U.S. start-ups, incubators, and companies to connect with start-ups, incubators, local governments, and the innovation ecosystem in China. Ambassador Branstad

emphasized the importance of continued U.S.-China economic cooperation, especially in the fields of innovation, science and technology.



foreign NGO registration process.

Dec.8, Shanghai – Ambassador Branstad visited the Roots & Shoots club at Minli Middle School in Shanghai, where students showed him their rooftop garden, composting projects, and all-natural products that they made themselves. Roots & Shoots was founded in 1991 by Jane Goodall to educate young people about environmental issues. It is one of only around 50 foreign NGOs of over 7,000 that has managed to successfully negotiate the new

(SBU) Environmental Health Planning Workshop Highlights Health-Related Challenges:

Embassy Beijing ESTH, in conjunction with the Columbia Mailman School of Public Health, kicked off the planning session of an international environment and health conference to be held in 2018. Nearly 50 academics gathered to focus on the health effects of pollution- on topics such as environmental risk management, sustainable urban development, climate change health risks, pollution impacts on children, and the health benefits of reducing pollution and climate change. Speakers discussed how best to translate scientific evidence into policy change and advancements in public health. This planning workshop will serve as the basis for further discussion on environmental and global health and the health risks associated with pollution.

(SBU) Marine Litter Partnership Delegation Arrives in China: A U.S. delegation began official meetings on November 30 with the State Oceanic Administration (SOA) to discuss marine pollution issues under the auspices of a sister-city partnership between San Francisco, New York City, Weihai, and Xiamen on prevention of marine debris. The U.S. delegation includes State, NOAA, EPA and the New York City Commissioner's office. SOA noted one of the biggest challenges on preventing marine debris is the wide distribution of cross-cutting responsibilities across multiple agencies, city governments, and vast geographic areas. But, they said, the Chinese government is highly interested in developing a workplan on marine litter prevention. The delegation will travel to Xiamen, Qingdao, and Weihai to meet with waste management authorities. A similar Chinese delegation visited the United States in November 2016.

(SBU) U.S.-China Joint Statement on GPS-Beidou Cooperation: After three years of discussions, China's Satellite Navigation Office and the State Department's Office of Space and Advanced Technology signed a joint statement of compatibility and interoperability between the Global Positioning System (GPS) and China's Beidou Navigation Satellite System. With the statement, U.S. and Chinese signatories resolved to cooperate to provide better services for global users, rather than simply developing two parallel navigation systems operating on different frequencies. Mr. Li Wang, Chairman of the China Satellite Navigation Committee and Dr. Jonathan Margolis, DAS for Science, Space, and Health, witnessed the signing. Beidou, which already enjoys widespread application in China and the surrounding region, will likely provide global coverage as soon as 2020. The next civil GPS-Beidou dialogue will likely take place in February 2018, and U.S. experts will again attend the annual China Satellite Navigation Conference in Harbin in May 2018.

(SBU) NCSC Identifies Areas for Collaboration on Waste Emissions and Low-Carbon Cities: Through the Global Methane Initiative, the U.S. EPA convened a workshop with China's National Center for Climate Change Strategy and International Cooperation (NCSC) on November 29. The group identified key areas for improving China's emissions tracking, including customizing provincial-level emission guidance, as well as working on transboundary issues and population/urbanization factors. Participants concluded the Low-Carbon City framework was an effective platform for exchanging best practices and measuring the effectiveness of greenhouse gas mitigation measures. The U.S. side agreed to continue sharing state- and city-level emission inventory data, as well as technologies for controlling waste emissions. EPA and NCSC will develop a work plan to guide collaboration over the coming year.

(SBU) China Agrees to Extend S&T Agreement 6 Months: In a December 1 meeting with Deputy Assistant Secretary for Science, Space, and Health Jonathan Margolis, Chinese Ministry of Science & Technology Director General Ye Dongbai agreed to a six-month extension of the U.S.-China Science & Technology Agreement, which technically lapsed on October 26. Ye accepted the extension with the caveat that China may need a further extension to allow new government officials, who take office in March 2018, to become familiar with the agreement before signing it. Ye also agreed to begin the translation of the English text of the agreement, and its Intellectual Property Annex, into Chinese.

(U) China's Demand for Lithium Batteries will Outstrip Global Supply: Battery manufacturers and energy analysts projected that the supply of lithium batteries could become a major bottleneck for the electric vehicle industry at the 2017 Bloomberg New Energy Conference held in Shanghai. As a result of booming demand for lithium batteries, the price of raw lithium has tripled since 2015. A Bloomberg energy analyst warned that, without major investment to expand battery manufacturing, the estimated demand from Chinese cities for electric buses alone would overwhelm current supplies. At current manufacturing capacity, two-thirds of the world's factories would need to be devoted to just serving the demand from China's public bus systems.

(U) HKG Announces Contractors for Waste-to-Energy and Treatment Projects: The Environmental Protection Department announced on November 30 that two companies have won the contract to design, build and operate a waste-to-energy incinerator, named the Integrated Waste Management Facility (IWMF) Phase 1, and an Organic Waste Treatment Center (OWTC) pilot scheme, respectively. The IWMF Phase 1, to become operational in 2024, will have a maximum treatment capacity of 3,000 tons per day (estimated to be about 30% of Hong Kong's daily waste sent to landfill) and is capable of generating 480 million kWh of surplus electricity for the power grid each year. The OWTC, with a maximum daily capacity of 50 tons of food waste, will use existing sewage treatment works facilities for food waste/sewage sludge anaerobic co-digestion to help raise Hong Kong's overall food waste treatment capability. The contract for the IWMF was won by a joint Singaporean-Chinese venture, while the OWTC contract was won by a Hong Kong firm.

(SBU) Energy Minister Prioritizes Hydropower: New Energy Minister Ts. Davaasuren told CDA Micaller on December 4 his ministry's top priority was to develop renewable energy in Mongolia, especially hydropower. Davaasuren noted that intermittent solar and wind power generation would not be sufficient to end Mongolia's dependence on Russia to regulate his country's electrical grid, identifying hydropower as the main solution. He hoped to build upon the July U.S.-Mongolia Energy Cooperation Dialogue (ECD), seeking assistance to improve the energy sector's legal and regulatory environment with a goal of attracting foreign investment. He thanked the Embassy for the opportunities for his ministry officials to participate in workshops following the ECD and explained that his ministry would take advantage of similar opportunities going forward. In addition, Davaasuren sought to increase both renewable energy and coal-fired power in the South Gobi to address mining power needs as well as to begin exporting power to China by 2025. To feed China's growing energy demand, Davaasuren asserted that coal-fired plants would be necessary, but he hoped to mitigate the negative environmental impacts by employing Western technology and suggested this topic be added to a future ECD. Lamenting the nearly \$200 million annually in energy imports from China for the Oyu Tolgoi mine, Davaasuren blamed Oyu Tolgoi for not investing in the energy sector as per its investor agreement. Moving beyond energy, he questioned whether Oyu Tolgoi was fairly contributing to Mongolia's state coffers.

(U) State Council Pushes S&T for Civil-Military Integration: China's military, private sector, universities, labs and the Chinese Academy of Sciences (CAS) should more closely collaborate on dual-use science and technology to "deepen civil-military integration," according to a document published on the State Council's website on December 5. "Space nuclear facilities, heavy-lift carrier rockets, cyber security technology and deep-sea exploration" are "key fields for civil-military integration," according to the document, which focuses on the "promotion of the national defense science and technology industry."

(SBU) Embassy Leads International Discussion on China's Foreign Waste Import Ban: On December 7, the Embassy hosted a meeting with likeminded diplomats and the Institute of Scrap Recycling Industries (ISRI) to discuss China's Foreign Waste Import Ban. China has implemented new laws banning recyclable scrap imports as part of a push for environmental protection reform. The new regulations are unclear, and the Ministry of Environmental Protection has been slow to respond to questions, or even accept meetings. ISRI, a U.S.-based trade association representing more than 1,600 private and public companies, spoke about how the Chinese scrap import ban would add to the U.S.-China trade imbalance and harm U.S. industry and jobs.

(SBU) Gas Shortages have Pushed People into the Cold: In a letter dated Monday, the Ministry of Environment (MEP) told local governments in Beijing, Tianjin, Hebei, Shanxi, Shandong, and Henan that regions which had not finished converting their power supplies to gas should continue to use coal or other fuels. A national policy push wean rural farmers and small businesses off coal toward natural gas is part of a four-year clean air campaign announced by Beijing in 2013. Chinese local media reported gas shortages occurred in Shaanxi, Shandong, Ningxia, Hebei, Inner Mongolia, and other provinces. China Sina news reported the average price of natural gas in China has risen from 4,000 RMB (US\$ 605) per ton to about 8,000 to 9,000 RMB (US\$1,212 – US\$1,360) per ton since December 2. The heating season always leads

to natural gas shortages, but the current situation is worse due to central government efforts to promote clean energy to curb pollution, according to Lin Boqiang, Director of the China Center for Energy Economics Research in Xiamen University.

(SBU) China AI "Unicorn" SenseTime to Develop Autonomous Vehicles with

Honda: SenseTime, a Beijing- and Hong Kong-based artificial intelligence (AI) startup with a "unicorn" valuation of almost US \$2 billion, on December 7 signed a "long-term development agreement" with Japanese automaker Honda to develop self-driving cars, according to a company announcement. The companies will also work on robot technologies. SenseTime has been trying to diversify away from the Chinese public security and surveillance contracts on which it has relied on for growth since its founding in 2015, company executives told ESTHOff.